

Message Text

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ACTION EA-12

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-08

FRB-01 INR-10 NSAE-00 USIA-15 TRSE-00 XMB-04

OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-07 CEA-01 AGRE-00 DOE-11 SOE-02 INT-05

DODE-00 PA-02 /128 W

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R 170756Z MAR 78

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 2985

INFO AMEMBASSY SINGAPORE

AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY MANILA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY TOKYO

UNCLAS KUALA LUMPUR 2236

E.O.11652: N/A

TAGS: EFIN, ECON, MY

SUBJECT: ASSEAN-WEST ASIA INVESTMENT CONFERENCE IN KUALA LUMPUR
ON MARCH 9 AND 10, 1978

1. AN ASEAN-WEST AISAN INVESTMENT CONFERENCE WAS RECENTLY HELD IN KUALA LUMPUR ON MARCH 9 AND 10, 1978. THE CONFERENCE, JOINTLY ORGANIZED BY THE MALAYSIAN FINANCIAL DAILY, "BUSINESS TIMES" AND THE DEVELOPMENT BANK OF MALAYSIA, WAS ATTENDED BY ASEAN AND WEST ASIAN FINANCIERS, INDUSTRIALISTS AND GOVERNMENT OFFICIALS. AMONG SOME OF THE PROMINENT SPEAKERS WERE DR. AHMAD MOHAMAD ALI, PRESIDENT OF THE ISLAMIC DEVELOPMENT BANK, DR. MOHAMAD WAFIE KHOUJA, ECONOMIC ADVISER TO THE KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT, FILIPPINO BUSINESSMAN MR. SIXTO K. ROXAS AND SINGAPORE BANKER, DR. TONY TAN.

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2. COMMENTING ON THE CONFERENCE AS AN OPPORTUNITY TO DISCUSS INVESTMENT POSSIBILITIES FOR GREATER ECONOMIC GROWTH IN THE ASEAN REGION, GOM DEPUTY PRIME MINISTER, DATUK SERI DR. MAHATHIR, IN HIS OFFICIAL INAUGURATION SPEECH, ALSO SPOKE OF A "PYRAMID OF GROWTH" INVOLVING THE NATURAL RESOURCES OF ASEAN, THE WEALTH OF WEST ASIA AND THE TECHNOLOGY OF THE DEVELOPED INDUSTRIALIZED COUNTRIES, IN PARTICULAR, THE UNITED STATES. HE SAW THIS

TRIPARTITE ARRANGEMENT AS A MOST NATURAL ANSWER TO COOPERATION FOR MUTUAL BENEFIT.

3. COMMENTS ON THE PART OF ASEAN SPEAKERS TOUCHED ON THE UNBALANCED DIRECTION OF ASEAN-WEST ASIAN TRADE. FOR EXAMPLE, ASEAN EXPORTED ONLY 2.4 PERCENT OF ITS TOTAL EXPORTS OR U.S. \$613 MILLION TO WEST ASIA AND IMPORTED A MASSIVE U.S.\$4 BILLION OR 15 PERCENT OF TOTAL IMPORTS. A MAJOR PROBLEM WAS THE LIMITED DEMAND FOR ASEAN RAW MATERIALS AND ABOUT THE ONLY ASEAN PRODUCT THAT HAD MADE AN IMPACT IN THE WEST ASIAN MARKET WAS TIMBER.

4. THE POTENTIAL FOR FINANCIAL COOPERATION BETWEEN THE ASIAN DOLLAR MARKET, CENTERED IN ASEAN, AND THE GULF DOLLAR MARKET, CENTERED ON THE GULF STATES, WAS POINTED OUT. A SAVINGS GAP EXISTS IN ASEAN REQUIRING MORE CAPITAL THAN ITS MEMBERS COULD GENERATE. IT WAS SUGGESTED THAT THIS COULD BE FILLED WITH THE SURPLUS OF WEST ASIAN RESOURCES WHICH AMOUNTED TO U.S. \$43 BILLION IN 1977. IN ADDITION TO A CALL FOR AN INITIATIVE BY THE ASEAN CHAMBER OF COMMERCE AND INDUSTRY TO GET TOGETHER WITH ITS WEST ASIAN COUNTERPARTS, THERE WAS ALSO A PROPOSAL TO LOCATE AN ASEAN INVESTMENT CENTER IN WEST ASIA. THE UNDERLYING TONE OF THE ASEAN SPEAKERS WAS AN INVITATION TO WEST ASIA TO INVEST IN THE ASEAN REGION, ESPECIALLY IN AGRICULTURAL AND INDUSTRIAL DEVELOPMENT FOR MUTUAL GAIN.

5. COMMENTS FROM WEST ASIAN SPEAKERS, HOWEVER, NOTED THAT THE UNCLASSIFIED

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LACK OF WEST ASIAN INVESTMENTS IN THE ASEAN REGION WAS NOT DUE TO A LACK OF DESIRE TO WORK WITH DEVELOPING COUNTRIES, BUT BECAUSE OF LITTLE KNOWLEDGE OF THE REGION. IT WAS MENTIONED THAT SAUDI ARABIA IS TODAY THE SECOND LARGEST DONOR TO THE INTERNATIONAL COMMUNITY AFTER THE UNITED STATES. FINANCING WAS DEVOTED MAINLY TO AGRO-BASED INDUSTRIES MANUFACTURING PRODUCTS OF USE TO WEST ASIA. BASICALLY, THERE ARE THREE SOURCES OF FINANCE ASEAN SHOULD LOOK TO: THE GOVERNMENT, BANKS AND THE PRIVATE SECTOR.

6. THERE WERE CALLS FOR THE NEED OF ASEAN FINANCIAL INSTITUTIONS TO DIVERSIFY FROM THEIR BASICALLY TRADING ORIENTED OPERATIONS TO INVESTMENT MANAGEMENT IF THEY WANTED TO ATTRACT WEST ASIAN FUNDS FROM THEIR TRADITIONAL AREAS IN THE WEST. WEST ASIAN INVESTMENTS ARE UNDERTAKEN MOSTLY THROUGH PERSONAL CONTACTS. FOR THIS REASON, ASEAN MUST TAKE THE INITIATIVE TO FORGE BOTH PERSONAL AND INSTITUTIONAL LINKS WHICH ARE PRESENTLY LACKING.

7. A PRINCIPAL SPEAKER WAS DR. AHMAD MOHAMAD ALI, PRESIDENT OF THE ISLAMIC DEVELOPMENT BANK, WHO GAVE A FULL ACCOUNT OF THE INSTITUTION'S PHILOSOPHIES AND OPERATING PROCEDURES. IN THE TWO AND A HALF YEARS OF ITS EXISTENCE, THE BANK HAS HAD CONSIDERABLE SOCIO-ECONOMIC IMPACT ON ITS MEMBER COUNTRIES, HAVING APPROVED

CONTRIBUTIONS TO 41 PROJECTS IN 20 MEMBER COUNTRIES AMOUNTING TO U.S. \$273 MILLION.

8. THE CONFERENCE CONCLUDED ON THE NOTE THAT THERE WERE INDEED ATTRACTIVE AREAS FOR INVESTMENTS IN THE ASEAN REGION, ESPECIALLY IN VENTURES IN TIN, RUBBER, PALM OIL AND IN ASEAN'S CULTIVABLE LAND WHICH COULD BE USED TO GROW FOOD AND REAR LIVESTOCK TO MEET WEST ASIAN NEEDS. TECHNOLOGY NECESSARY TO CATALYZE ASEAN RESOURCES AND WEST ASIAN CAPITAL WAS PRESENTLY BEING TRANSFERRED IN A SMALL WAY AND COULD BE IMPROVED. NEVERTHELESS, ASEAN WAS REMINDED THAT IT NEEDS TO CONVINCE WEST ASIA OF ITS INVESTMENT POTENTIAL AND IT IS THEIR RESPONSIBILITY TO ESTABLISH APPROPRIATE LINKS WITH WEST ASIA.

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9. COPY OF CONFERENCE PAPERS POUCHED TO MARK EASTON, A/TIMBS. MILLER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INVESTMENTS, MEETING REPORTS
Control Number: n/a
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Draft Date: 17 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978KUALA02236
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780119-1171
Format: TEL
From: KUALA LUMPUR
Handling Restrictions: n/a
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Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
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Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3293908
Secure: OPEN
Status: NATIVE
Subject: ASSEAN-WEST ASIA INVESTMENT CONFERENCE IN KUALA LUMPUR ON MARCH 9 AND 10, 1978
TAGS: EFIN, ECON, MY, ASEAN
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/7b9617c5-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014